

Data Sheet

USAID Mission:	Indonesia
Program Title:	Energy Sector Reform
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	497-013
Proposed FY 2004 Obligation:	\$1,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$1,000,000 ESF
Year of Initial Obligation:	FY 2000
Year of Final Obligation:	FY 2005

Summary: The energy sector is a major component of the Indonesian economy, generating nearly 30% of total Government of Indonesia (GOI) revenues. However, the sector is plagued by corruption, weak policies, monopolistic and inefficient production and distribution, and wasteful consumption. As part of an integrated economic growth program, USAID's assistance will improve the efficiency and transparency of the energy sector through technical assistance and training which accelerates implementation of legal and regulatory reforms governing the oil and gas and electricity sectors; strengthen GOI capacity to analyze and set energy policy; broaden public participation in energy sector reforms; eliminate subsidies to rationalized energy prices; and increase investment in environmentally friendly energy production and use.

Inputs, Outputs, Activities:

FY 2004 Program:

Accelerate implementation of key energy sector policy and legal reforms (\$600,000 ESF). USAID will fund technical assistance and training for the implementation of new oil and gas, electricity and geothermal energy laws. These laws were drafted with USAID assistance. USAID will assist with the establishment and initial operation of the independent Regulatory Board for downstream oil and gas operations and Electricity Market Supervisory Board. Technical assistance will build the capacity of national, regional and local governments to implement new energy laws and regulations, and implement decentralization policies in the energy sector. USAID advisors will work with government and non-governmental institutions to help Indonesia achieve its planned elimination of all energy subsidies (except for electricity and kerosene) in 2004, including efforts to help the public understand why prices will rise. As part of the President's Digital Freedom Initiative, USAID may fund technical assistance, training and equipment to support the Ministry of Energy and Mineral Resources in developing IT systems to support the energy sector reform. Partners include Advanced Engineering Associates International (prime), and Institute for International Education (prime).

Increase investment in environmentally friendly energy production and use (\$400,000 ESF). USAID will expand its assistance to improve the capacity of regional universities and local governments in six additional provinces. This will be accomplished through training which helps them better understand their role in managing the energy sector under regional autonomy. USAID will continue to provide targeted assistance in renewable energy development, the efficiency and performance of existing electricity generating facilities, demand side efficiency and greenhouse gases reduction. Partners include Albany Research Center, U.S. Department of Energy (prime), Winrock International (prime), International Council for Local Environmental Initiative (sub) and the Indonesian Foundation of Environment Management (sub).

A public-private alliance initiated with funding from the USAID Asia and Near East Bureau will focus on reducing air pollution through efficiency improvements within the public bus system, reduced reliance on private cars, and the introduction of cleaner public buses. Partners include the Institute of Transportation and Development Policy, Pelangi Indonesia (Indonesia Rainbow), the Transportation Research and Injury

Prevention Program, the Jakarta City Government, the Infrastructure Development Finance Company, and the Clean Air Initiative for Asian cities.

FY 2005 Program:

Accelerate implementation of key energy sector policy and legal reforms (\$600,000 ESF). USAID plans to fund technical assistance and training activities that build the capacity of national, regional and local governments to implement new energy laws and regulations. Continued assistance will manage market transitions and foster a favorable investment climate in the energy sector. Assistance will continue working with the government on further reductions of energy subsidies, implementation of targeted mitigation programs and development of alternative fuels for kerosene.

Increase investment in environmentally friendly energy production and use (\$400,000 ESF). USAID may expand the promotion of renewable energy development to improve and coordinate both supply and demand side management, and reduce greenhouse gasses and air pollution from transportation.

Performance and Results: USAID helped Indonesia take another major step in 2003 towards the reduction of energy subsidies. A price increase of 11% for refined petroleum products and 26% in electricity tariffs saved the state budget approximately \$780 million. USAID technical assistance resulted in the GOI drafting a Geothermal Law. Parliament completed its deliberation in September 2003, and the law is expected to be enacted in late 2003. USAID assistance resulted in the GOI developing numerous government regulations related to the Electricity Law passed in 2002. In collaboration with the State Electricity Company and regional universities, USAID assistance expanded regional energy forums in the provinces of Riau and East Kalimantan, South Sumatra and South Kalimantan and trained more than 200 local government officials and regional university lecturers on regional energy planning, electricity business and tariff setting.

US Financing in Thousands of Dollars

Indonesia

497-013 Energy Sector Reform	DA	ESF
Through September 30, 2002		
Obligations	7,323	0
Expenditures	1,477	0
Unliquidated	5,846	0
Fiscal Year 2003		
Obligations	1,000	0
Expenditures	3,014	0
Through September 30, 2003		
Obligations	8,323	0
Expenditures	4,491	0
Unliquidated	3,832	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	0	1,000
Total Planned Fiscal Year 2004		
Obligations	0	1,000
Proposed Fiscal Year 2005 NOA		
Obligations	0	1,000
Future Obligations	0	0
Est. Total Cost	8,323	2,000